2. REVIEW OF LITERATURE

Review of literature is the extensive survey of similar research on the topic under study. It involves systematic identifying and analyzing written material already available on the subject matter of the present research. The sources in the present review of literature include books, academic journals, articles in magazines, corporate and government reports, published researches, unpublished dissertations and theses, dictionaries, newspaper reports as well as internet and websites. The earlier study which was carried out on similar topic as compared to the present study is a must in research.

The study of growth of housing finance is gaining much importance now-a-days as the central government has launched a massive campaign to provide housing to all its citizens by the year 2022. Here, the researcher has undertaken the review of literature in India and abroad from different sources like books, journals, reports etc.

2.1 Rate of Interest

Piyush Tiwari (2001) states that the absence of risk-sharing in mortgage lending business in the form of secondary markets and mortgage insurance, as one of the important causes behind a constrained formal housing finance sector in India. Absence of a secondary market implies that the housing finance institutions are the sole risk bearers of the home loans extended by them. This limits the total availability of housing finance. Moreover, lenders try to reduce the risks by imposing higher rates of interest, high prepayment penalties and conservative debt service to income ratios. All these factors adversely affect mortgage affordability.

Hina Shah (2003) observed that banks have low-cost funds and hence they give housing loans at cheaper rates of interest as compared the interest rates of housing loans offered by HFCs. She has also observed that HFCs are quick in giving loans and also give better post-loan disbursement service to customers as compared to banks. Small players of housing finance have difficulty in raising the funds and hence they concentrate on semi-urban and rural areas. In the Indian financial system, the housing finance sector is in a very strong position due to very low non-productive assets.
Anita Hora (2004)\textsuperscript{3} observed that banks are paying more attention towards housing finance due to reduction in industrial finance. Due to cut throat competition in housing finance sector, banks are lending housing finance at cheaper rates of interest. The R.B.I. has suggested that lenders should not lend below their cost of funds. She also observed that banks have started competing with each-other and allowing incentives to the customers. R.B.I. Annual Report of 2002-03 has cautioned the banks for lending rates of a lower level than their PLR.

Green R.K. and Wachter S. (2007)\textsuperscript{4} observed that the availability and cost of housing finance are the crucial determinants in the functioning of housing markets across countries. Fall in interest rates induces higher demand for housing finance and has an impact on house prices; more so if there is severe housing shortage. Decline in mortgage rates improved affordability while appreciation in house prices impaired it by necessitating larger housing loans.

Chaubey M. (August, 2009)\textsuperscript{5} studied customers’ views on housing loans taken from HDFC Ltd. in Varanasi city. He observed that 92% of the respondents preferred flexible rate of interest and only 8% of the respondents preferred fixed rate of interest. 58% of the respondents preferred loan tenure of more than 15 years. 70% respondents reported that there was delay in the sanction and disbursement of loan amount. 42% of the respondents opted for loan due to low rate of interest. Only 42% of the respondents reported that the loan repayment period was adequate and only 40% of the respondents felt that the rate of interest was reasonable.

Dr. V. Chandrasekar and Katyayini Krishnamoorthy (September, 2010)\textsuperscript{6} have used regression analysis for the study of housing demand function of the city of Hyderabad. They found significant negative impact of lending rates on housing demand. They have used the benchmark prime lending rate (BPLR) as a proxy for home loan interest rate and justified the same as they say that most banks offer rates that are tied to the benchmark prime lending rates. However they have not considered important determinants like household income and house prices.

Fulwari A. (August,2012)\textsuperscript{7} in her study stated that adopting a policy of moderate home loan interest rates would enable many more households to meet their housing demand. She has suggested that interest rate subsidies be linked to the income class of the borrower. A
systematic scheme of incentives needs to be put in place to encourage housing developers to build homes for all income classes.

Singh Charan, (May, 2013)\(^8\) observed that in most banks, whenever there is a review of PLR and/or risk weights, floating rate on housing loans is also reviewed. In general, the rate of interest is decided on the basis of cost of funds, operating expenses and profit margin. He suggested that all housing related reports, and official documents and circulars on housing sector can be made available on a convenient location for not only a researcher but any interested citizen. The central and state governments need to encourage research on housing sector as a healthy housing sector can ensure a strong national economy.

### 2.2 Increase in Income

Quigley J. and Raphael S. (2004)\(^9\) found that increase in income has favorable influence on housing affordability. However, increase in inflation increases both nominal interest rates and house prices, which negate any increases in income. Thus, inflation adversely affects housing affordability. They have suggested longer maturity periods so as to reduce monthly debt servicing and make households with lower current incomes eligible for housing finance.

Sreelaxmi P. (2007)\(^10\) observed that new class of young buyers have the affordability of spending more on EMI and owning a house than spending on rent and staying in a rented house. While housing finance is experiencing an exponential growth, the risk of bad loans and NPA is also increasing. Periodical review of borrower’s financial position is must for ensuring prompt payment of loan installments.

Nenova (2010)\(^11\) also states that availability of housing finance enables a larger proportion of the population to become home owners. According to the author, “Housing finance plays a critical role in the development process by supporting strong housing markets, while strengthening the financial sector and contributing to overall economic growth.” This shows the scope of housing finance in impacting the development of a comprehensive housing sector. They have reported a significant positive association between the ratio of equated monthly installments (EMI) to income and the probability of default. This is particularly crucial at the times of rising interest rates.
Mittal S. (2014) found that age, occupation and education significantly influence the customer’s choice for a particular type of bank. There was a significant difference between the age-wise, education-wise and occupation-wise distribution of the two types of banks. The income of the customers and their choice of a particular type of bank were independent of each other.

### 2.3 Tenure of loan

Rajasekhar D. et al. (2008, September) studied the growth and structure of LICHFL’s housing loans in Chennai city. They observed that 54% of the respondents preferred tenure of loan for more than 10 years. 75% of the respondents reported that there was delay in the sanction and disbursement of loan amount. 93% of the respondents preferred flexible rates and only 7% of the sample respondents preferred fixed rate of interest. 34% of the respondents reported that LICHFL provides housing loan at a low rate of interest.

Thingalaya N.K. et al. (April, 2009) observed that about 44% of the loans were of 10 to 15 year maturity and 24% above 15 years but below 20 years. Very few loans were with 5 to 10 year maturity. The low credit disbursals for housing by the banks are constrained by factors such as non-availability of clear land title, difficulties in assessing the repayment capabilities due to irregular income pattern etc. resulting into higher credit risks.

Kondru S.K. (June, 2012) has studied the housing activities in Hyderabad and financing by LICHFL & HDFC in Hyderabad. He has analyzed the trends in housing finance by LICHFL & HDFC. His observations revealed that the rate of interest charged by the LICHFL and HDFC is affordable. Majority of the borrowers from LICHFL and HDFC prefer to repay loan in 15 years and above.

Souvik Ghosh(2014) states that when EMIs are high, eligibility will become less. The more the tenure is, less the EMI will be. So, one should opt for a higher tenure. Usually banks offer a maximum of 20-30 years tenure. The role of the financing institutions viz. Banks and Housing Finance Companies has grown significantly over the years in the housing sector. While appraising a home loan, lenders look for personal details such as a good credit history,
annual and monthly income, existing EMIs of the consumer, a clean title to the house / property and the location of the house before approving a home loan application.

2.4 Value of property

Bandyopadhyay and Saha (2009)\textsuperscript{17} found that easy access to bank finance at affordable rates to be among the most significant drivers of the growth of housing market in India. They have concluded that “Our empirical results suggest that borrower defaults on housing loan payments is mainly driven by change in market value of the property vis-à-vis the loan amount and EMI to income ratio. A 10 percent decrease in the market value of the property vis-à-vis the loan amount raises the odds of default by 1.55 percent. Similarly, a 10 percent increase in EMI to income ratio raises the delinquency chance by 4.50 percent.”

Rao, K.N. (2010)\textsuperscript{18} in his article “Housing Finance – A Global Perspective” mentioned that home loans have been registering exponential growth in India during the last six years. Low interest rates, tax benefits on repayment of principal and interest, easy liquidity conditions, comfort of tangible security have all collectively contributed to the growth in home loans. HDFC and LICHFL are the major players in disbursement of home loans. Home loans are sanctioned up to 85% of the cost of the property and for a maximum period of 20 to 30 years.

Gandhi, Sahil (2012)\textsuperscript{19} observed that Mumbai experiences a mismatch between household income and house prices. The researcher found that with present income distribution and institutional rates, only 5-6 percent of households can afford a house in Mumbai. In big cities house developers cater to a small proportion of the population which is rich and elite by focusing on construction of luxury housing. In most of the Indian cities there is a problem of infrastructure, slum proliferation and inefficient urban land management.

Nikhita Narendran (2013, December)\textsuperscript{20} found that Delhi and Mumbai both display above-normal house price levels and rapid growth rates between 2005-2007 and 2011-12. The researcher observed that the increases in prices are not conclusive evidence about existence of a bubble in housing prices. Her findings suggest that a shift in the overall macroeconomic environment during FY 2011-12 had an impact on overall growth in house prices.
2.5 Loans sanctioned and disbursed

Jasmindeep et.al. (2005) 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. However, the compound growth rate for the loan sanctioned, disbursement and outstanding has been highest in the case of LICHFL.

Vimla P. (2007, May) studied housing advance by commercial banks in Kerala during the period from March, 2000 to March, 2006. She observed that there is no significant difference in the growth rate of housing advances by different bank groups in the state of Kerala. H – test (Kruskal Wallis Test) was applied to arrive at this conclusion.

Saravanan (2007) in a study on housing finance sector analyzed the housing finance growth in India. The housing finance sector continues to grow in India. This sector has a significant contribution in development and growth of the country. It was revealed that there is a huge demand of housing due to high growth rate of population and migration of people from rural to urban areas. The demand for housing finance is also growing fast in India.

Arunodayam and Thangavel (2007) examined the developments in the housing finance in India in the early 21st century. They also studied the problems of housing in the country. The study evaluates the performance of selected housing finance institutions and their involvement in meeting the financial requirement of the urban housing beneficiaries and their perceptions about borrowing. It was found that for expanding the volume of business housing finance institutions were operating on squeezed margins.

Bhalla (2009) examined the financial performance of selected HFCs. The study aimed to examine the effect of various selected independent variables on profitability of selected HFCs. He used independent variables like interest income, interest expenses, non-interest income, operating and administrative expenses and employee costs. He used various financial measures and financial ratios to analyze the performance of HFCs. In all the companies there is positive correlation of interest income and interest expenditure as percentage of capital employed with return on capital employed. The study concluded that HFCs have to spread out geographically while ensuring consistency in the processing and service standards.
Bhalla, Arora and Gill (2009)\textsuperscript{26} examined the performance of housing sector as well as the problems and challenges faced by this sector. The study showed that due to continuous changes in the global financial environment and global financial crisis, banks and financial institutions have brought big changes in their strategies related to this sector so that slowly and gradually growth is shown by this sector. It was revealed that, India is witnessing competition among banks that has reduced the cost of finance for housing users.

The FICCI-Ernst \& Young(2012)\textsuperscript{27} observed in their report titled “Realty in Changing Times” released in 2012 reveals that Maharashtra has better urban areas in the country and thus occupies the top slot in the “Urban India State Ranking.” Maharashtra is followed by Tamil Nadu and Karnataka. The report shows that the district of Mumbai, Thane and Pune are the most prominent centres having matured environment for development. Urbanization will be the single largest factor driving demand for real estate and housing in particular. India’s urban population is expanding at a rapid speed and is expected to rise to 600 million by 2031. Nearly 10 million people move to India’s towns and cities every year and need homes to live in. Housing shortage in India and in Maharashtra is acute and 90\% of the shortage is faced by the low income group people.

Gupta J. and Jain S. (2012)\textsuperscript{28} observed that in case of co-operative banks, a very simple procedure followed by bank for loan, easy repayment and less formalities are the main factors determining customer’s selection of loans. Customers are satisfied with the mode of repayment of installments, average time for the processing of loan is less i.e. approximately 7 days. The authors also suggested measures to improve the efficiency of the Cooperative banks.

Guruswamy (2012)\textsuperscript{29} observed that LIC Housing Finance Ltd., and Housing Development Finance Corporation Ltd stood as an excellent housing finance companies having the real competition in the housing finance field during the period of ten years from 1991-92 to 2000-2001.

Pankaj Chadha and Vanitha Chawla (2013, April)\textsuperscript{30} analyzed the financial performance of six listed Housing Finance Companies (HFC’s) selected on purposive sampling using CAMEL
model i.e. Capital Adequacy, Asset Quality, Management Efficiency, Earning Capability and Liquidity. SPSS and Excel was used for statistical analysis, grouping and tabulation. GRUH was ranked first under CAMEL analysis followed by HDFC and GIC who secured second and third position. Dewan Housing, Can Fin and LICHF Ltd. occupied the fourth, fifth and sixth position.

Dr. Ravindra P. S. et. el. (July, 2013) observed that “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. It can be concluded that the consistency is observed in financial parameters of LICHFL and HDFC over the years, and LICHF has performed well in comparison with HDFC in both financial and operational aspects during the study period.”

Gudadhe P.S.(2013) discussed about the customer perception towards products and services of State Bank of India. The author has studied the SBI branches of Yavatmal district (M.S.). The article discussed about the SBI Bank Group wise perception and satisfaction level of customers, the availability and use of products and services given by the bank. The author states that the customers expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels. 99.27% customers expressed their satisfaction towards the services.

Rao T.S. (2013) studied the perception and problems of home loan takers in Andhra Pradesh. The author has taken into account HDFC and SBI bank. The paper discussed about the Housing Policy frame work, trends and progress in Housing Finance, the operational performance of HDFC and SBI with regard to providing housing finance to individuals, perception and problems of home loan takers in the State of Andhra Pradesh.

The author states that the Housing Finance in India faced a number of set-back in decades but the designing of a shelter policy, the organization of the housing finance market, the introduction of fiscal incentives have brought about a number of changes in the housing finance. The services and product innovations are the key tools for success.
Utkarsh Gupta and Dr. Richa Sinha, (Feb. 2015) observed that maximum percentage of the respondents had opted for Home Purchase category of Home loan, both in LIC (42%) and SBI (48%). Fixed rate of interest is the most preferred option by the respondents regarding the purchase of Home Loan. Low Rate of Interest, Easy Accessibility, Status/Reputation of the institution and Scheme offered by the company were the major factors that the respondents considered as the reason for selecting SBI as an institution for taking Home Loan, whereas the factor of Prompt service was found to be a major factor that the respondents considered as the reason for selecting LIC as an institution for taking Home Loan. Longer repayment period, Easy documentation formalities, Co-operative staff and Easy installments are the major factors that had influenced the respondents to opt for Home Loan from SBI, whereas the factors namely Fast processing of Loan, Good communication, Suggestion by friends/relatives and Trust on institution acted as the major influencing factors that influenced the respondents to opt for Home loan from LIC.

2.6 Government and lenders’ initiative for growth of housing finance

Singh Fulbag et.al.(2006) observed that in India according to 2001 census 72% of the population is living in rural areas and majority of the population lives in slums and shabby shelters. The Main objective of National Housing Policy introduced in 1988 was to provide housing facilities to the masses and to improve the housing conditions. Various schemes have been introduced for the urban and rural housing Valmiki Ambedkar Awas Yojana, Indira Awas Yojana, Samagra Awas Yojana, Pradhan Mantri Gramodaya Yojana etc. Researchers have analyzed region wise loan disbursement, loan amounts, defaults etc. of LIC Housing Finance Ltd. for ten years from 1995-96 to 2004-05.

Luci Ellis (December, 2006) observed that the mix of disinflation, deregulation and financial innovation provides considerable boost to the supply of housing loans, lowers the cost of funds, and thereby stimulates the demand for housing through increased competition among lenders.

Bhattacharjee K. (2007) observed that a reverse mortgage loan is a traditional mortgage loan in a reverse direction. It is meant for home-rich senior citizens who are cash-poor. In this method borrower does not make any payment to the lender but he receives regular payment
from the lender. On the borrower’s death or his leaving the property, loan is repaid along with the accumulated interest through sale of the house property.

Bhalla, A.K., Arora P., & Gill P.S. (2008)\textsuperscript{38} observed that there is a need of joint efforts on the part of government, housing finance companies and regulatory agencies to chalk out comprehensive action plan to meet the challenges of housing finance then only housing need of every common man can be fulfilled. There are various legal and administrative impediments in India, which are hindering the growth of the mortgage securities market in India. These impediments are in the nature of archaic laws such as Urban Land Ceiling (and Regulation) Act, Rent Control Act, varying and high rates of stamp duty across different states, restrictive foreclosure process etc.

Manoj P.K. (2010)\textsuperscript{39} observed that Commercial Banks started aggressive lending to the housing sector only since 1998 following a directive from the Central Bank of the country viz. Reserve Bank of India in 1998 to set aside 3\% of their incremental deposits for lending to housing sector. Consequently prominence of commercial banks has been on the rise every year and they are leading the market since FY 2003. He states that while there is significant difference in the relative financial soundness of HFCs in India, all HFCs are constantly under pressures of rising costs. Close monitoring of costs for improving their returns to income ratio is quite essential for enhancing Return on Equity (ROE).

Ramesh Ramanathan, (2010)\textsuperscript{40}, observed that India is the second largest country in population and it requires affordable housing to satisfy the low income people. Around 85\% percentage of Housing requirement is for the below middle class people in India. The people who are having income of greater than Rs.5000 and up to Rs. 20000 highly need affordable housing. Hence, Indian government’s need to concentrate and develop the low income housing for the middle class people in India.

Mishra A.K. (September-October, 2011)\textsuperscript{41}, observed that the Bharat Nirman Program has also recognized and accorded due priority to the need to end shelter. The Program has set a target to construct 60 lakh houses from 2005 to 2009. The housing component under the Program was being implemented in parallel with Indira Awas Yojana scheme.

For the Eleventh Plan, the focus was on targeting the poorest of the poor. Housing finance emerged as a mature financial services activity well integrated into the financial system. It
was putting focus attention on creating the condition for sensible and affordable housing solution for mass of the people. The housing finance industry caters predominantly to the “organized” or “employed” sector.

Sridharan S. (2014)\(^4\) says that although there are various Government of India initiatives as well as schemes of institutions like World Bank and its members like the International Finance Corporation (IFC), there still exists a challenge at the ground level: the simple availability or production of affordable housing projects.

Nagar Rachana, (2016)\(^3\) found that the major problems of housing finance sector of India are shortage of funds, inadequate mortgage and securitization laws, unhealthy competition among housing finance agencies and traditional thinking of Indians etc. Besides all such issues Housing finance market is having infinite growth potential. Government is trying to act as facilitator by offering a number of housing schemes for different sections of society, but due to poor administrative control and lack of strong will-power, most of the schemes are squeezed only up to the primarily levels and are never attained its ultimate objectives.

2.7 Housing in rural and urban areas

Miglani O.P. (1992)\(^4\) in his book “Urban Housing in Developing Economy” observed that housing is a package of services; land, public facilities and access to jobs. Besides multiplier effect, housing investment can increase income and employment significantly by absorbing low-skilled labour in construction activities. This way problem of un-employment which exists in many under developed countries can be solved to some extent.

Mahadeva M. (1994)\(^5\) in his study on “Housing situation in Maharashtra” found that a large number of households in Maharashtra live in a sub-standard and under-privileged houses like kutcha houses in bad conditions. He also observed that housing amenities in Maharashtra in general and Bombay city in particular are not up to the level of satisfaction.

Dinesha P.et.al. (2008)\(^6\) have pointed out that the serious dimension of housing problem is related to housing amenities like drinking water, sanitation, lighting and drainage connection. They have suggested that institutional finance at affordable rate is a must for accelerating the
availability of housing finance. They have also suggested that priority should be given to rural area while allocating resources as they represent country’s worst housing situation.

Paramasivan Chelliah and Padma Vathi (December, 2013)\textsuperscript{47} observed that there is a demand for housing in both urban and rural population in the country. Demand for housing finance is increasing due to change in the attitude of the people to stay in an own house. Requirement of housing is increasing fast due to urbanization, migration, modernization, life style, purchasing power and income generation.

2.8 Frauds in housing finance

Srinivas S.P. (2006)\textsuperscript{48} has found that there are some common frauds which take place in housing finance like inflated income statement and value of property by individuals, lack of appraisal and follow-up etc. Empirical evidence shows that Non-Performing Loan (NPL) in the Indian housing finance sector is much higher than the same in developed market. The researcher has warned that if banks do not take prudential norms for housing loans then they may have to conduct recovery mela instead of present loan mela.

Phogat M. (2006)\textsuperscript{49} observed that precautions should be taken at bank level to avoid housing loan frauds in banks. KYC norms should be followed. Loan should be granted against houses built by reputed builders only. Title deed should be scanned through ultra-violet ray machines before mortgage. An undertaking should be taken from the builder that the house is not sold to any other person. Main salary account, original title deed, property tax bills, electricity bills should be verified.

Padhi Manohar (2007)\textsuperscript{50} observed that the main causes of housing loan turning NPA are loss of job due to closure of factory or office of the borrower, over finance to the borrower, sanction of loan on fabricated documents etc. He suggested that to prevent the frauds in housing finance, lender should take precautionary measures like pre-sanction appraisal, documentation and creation of charge and post-sanction follow-up. The other preventive measures like identification of borrower, opening of bank account by borrower as per KYC norms, site verification of existence of property, valuation of property, photo of immovable property, approval of map and cost estimates, scrutiny of title, end-use verification of amount disbursed etc. can avoid housing loan frauds.
Bagchi S. (2008)\textsuperscript{51} suggests that land records at the land registration offices should be streamlined and brought under the contemporary technology support system. Simplified registration system with low registration fee should be adopted to register mortgages. Banks and financial institutions should develop special cadre of credit investigation officers who should perform like private detectives to ascertain the creditworthiness of the borrowers. “Title Insurance” system should be devised to enable the lenders to obtain insurance cover from any approved insurance company.

\textbf{2.9 Role of housing finance}

Rizvi (2008)\textsuperscript{52} examined the housing finance as a social challenge and economic opportunity in South Asian countries. Many financial players played a role in due growth of housing sector by stimulating housing finance. There were various opportunities provided by the housing to the financial sector. The study concluded that once the countries start implementing large scale construction programs, the financial sector, the insurance sector and the capital market will all witness a substantial growth and sizeable contribution to income, employment and GDP.

Monk, Tang and Whitehead (2010)\textsuperscript{53} studied the social - economic impact of housing in Scottish country. The study exposed various multiplier effects of housing like output multiplier, income multiplier, employment multiplier and GVA multiplier on economy.

J.P. Sah (2011)\textsuperscript{54} states that housing is not a static but a growing problem and it was cited in Manorama Year Book (1997) as the modern concept of housing does not limit the idea of housing merely to the provision of shelter and it is an in an integral part of overall policy improvements of human settlements and economic development.

Hari Govinda Rao and N.Apparao (Nov.-Dec.,2012)\textsuperscript{55}, observed that housing is a composite and complex good that fulfils some of the basic necessities of life. It is estimated that overall employment generation in the economy due to investment in housing/construction is eight times. Housing shortage is a universal phenomenon and it is more acute in developing countries. They analyzed the present condition of housing sector in India. They highlighted the housing shortage and the significance of affordability housing in India. Their study also recommended some significant issues to the development of housing sector in India. It should
assist the policy makers in designing and implementing specific and well-targeted policies for
the overall benefit of housing sector.

Tiwari, (2012)\(^5\), found that housing finance in India has grown at a rapid pace during the last
two decades. However, the share of outstanding housing loans as a percentage of GDP stood
at only 7.3\% in 2005. Hence, he emphasized the importance of affordable housing.
Macroeconomic stability and the housing sector are inextricably linked. It was estimated that
for one Indian Rupee (Rs.) invested in housing; Rs. 0.78 gets added to the gross domestic
product of the country. The housing sector has strong backward and forward linkages to over
250 ancillary industries.

Kumaraswami M. and Nayan J.(2014)\(^6\) discussed about the importance of housing finance
and the institutions providing housing finance. A detailed discussion is made on the loan
criteria eligibility, loan amount, interest rate, security, loan tenure, margin money and
processing fee. Finally the paper highlights the performance of the housing sector, major
findings and suggestions to improve the effective marketing of housing finance for both
public and private sector banks.

Dr. Anand Kumar, (April, 2016)\(^7\) found that there is a significant great relationship between
housing finance sector and employment. Housing finance sector in India has multiple
linkages, backward and forward with different industries. It is a very important part of
income-generator in India. The role of the financing institutions viz. banks and Housing
Finance Companies has grown significantly over the years in the housing sector.

Rakesh Makkar, (2014, March)\(^8\), President and Chief Distribution officer, DHFL said that
urban India is short of 18.78 million homes while in rural areas the shortage is of about 43.9
million homes. DHFL is targeting customers in smaller cities where average ticket size of the
loan is around 10.5 lakh. The Indian housing industry is dominated by affordable housing for
low income group. Within Maharashtra, DHFL operates across almost all districts and
focuses on the lower and middle income (LMI) segment. Within Maharashtra, Mumbai as a
centre is the largest contributor to the DHFL’s business, while Pune contributes to over 40\%
of the rest of Maharashtra Business.
Matthew Yglesias, (2015)\textsuperscript{60} says that what Indians call “Floor Space Index” (FSI) and what Americans call “Floor Area Ratio” (FAR) measures the ratio of built up floor space to land area. In midtown Manhatttan FAR is as high as 15. Mumbai has 1.33 FAR for the central city and 1 FAR for the suburb area. We should think of increasing FSI to solve the problem of housing and to have rapid growth in housing finance.

Shalini Nair, (2015)\textsuperscript{61} says that as per World Bank’s data of 2012, FSI in world’s major cities is as follows – Shanghai – 8, Chicago – 12, Hong Kong – 12, New York – 15, Tokyo – 20, Singapore – 25, Mumbai – 1.33, New Delhi – 3.5. However, as per Densities : Demoghaphia (2015), people per sq. km. is as follows – Shanghai – 6,100, Chicago – 1,300, Hong Kong – 26,400, New York – 1,800, Tokyo – 4,400, Singapore – 10,900, Mumbai – 32,400 and New Delhi – 12,100. The Mumbai city has FSI 1.33 in South Mumbai and 1 in suburbs. Open space availability per person in Mumbai is only 1.24 sq. m. which is 26 sq. m. in New York and 17.6 sq. m. in Chicago. The Draft DP 2034 proposes to increase the FSI to between 2.5 to 8. He also says that the draft DP has not earmarked any land for the housing board to create public housing. France, Canada, Italy, U.S. have 25% inclusionary housing while Spain has 50%. This makes it clear that housing cannot be left to private builders alone but land should be reserved for public housing by state.

Parishwang Piyush, Himanshu Negi ,Navneet Singh, (2016)\textsuperscript{62} state that reform of the housing finance schemes for middle- and low-income households should take place simultaneously. If emphasis is put on the development of housing finance schemes for the poor and schemes for the middle-income households are neglected, middle-class groups will probably appropriate the schemes meant for the poor. Instead of interest subsidies on housing loans for the poor, one-time grants for households may be a better way to help them.

Nidhi Bothra, (2017)\textsuperscript{63} says that the proportion of capital market instruments in the total liability profile of HFCs has grown continuously to about 40% of total long term liabilities. This has resulted into reduction in the cost of financing for HFCs. Leading HFCs are able to reduce their cost of financing to as low as 8%. The net interest margin (difference between cost of funds and weighted average lending rates) may range between 2.5% to 3%, considering the impact of higher yielding components of the portfolios including loans against properties. The average rate of interest charged by banks and by leading HFCs has almost converged. HFCs have attained cost of capital comparable to banks.
Abhijit Lele, (September 29, 2017)\textsuperscript{64} states that two large Housing Finance Companies, HDFC and LIC have assets over one lakh crore each and cover 57% of home loan market. DHFL, Indiabulls and PNB HFL have combined market share of 21%. Five housing finance companies dominate housing finance market and lend 78% of home loans. HFCs’ share in total housing loans was 33% in March, 2012 and 37% in March, 2017. Commercial Banks’ share in total home loans has gone down from 67% to 63% in the last five years.

Ajay Khape, (January 20, 2017)\textsuperscript{65} says that the state government has approved new development control rules (DC Rules) for the Pune city allowing a maximum of 4 FSI for construction of buildings along the route of Metro Rail or any other mass rapid transit system. This will give a boost to the construction of high-rise buildings across the city. The construction should be only for small tenements between minimum 270 sq. ft. and maximum 1300 sq. ft. built up area in these buildings. This raising of FSI to four with a condition for smaller houses will help to reduce cost and affordability for the prospective buyers of home.

Shilpy Sinha, (June 27, 2017)\textsuperscript{66} says that “affordable housing is booming and loans below rupees ten lakhs have increased by 43% in FY 17. In the segment of housing loans up to Rs.10 lakhs disbursement by Public Sector Banks (PSB) grew by 59% whereas housing finance companies (HFCs) grew by 26% in FY 17. Overall housing loans grew by 23%.” It is very clear that this increase in the housing loans has come from focus on affordable housing finance. The increase in housing loans is possible due to increase in the supply of affordable housing units which is due to the right push and focus from the government on affordable housing.

Advait Rao Palepu, (January 16, 2018)\textsuperscript{67} says that as per the National Housing Board, disbursement of housing loans up to Rs. 10 Lakhs increased from 309.2 billion in 2014-15 to 429.9 billion in 2016-17 representing 39% growth. Disbursements of housing loans above 25 lakhs increased from 1167.65 billion in 2014-15 to 1688.66 billion in 2016-17 representing 44 % growth. However, Housing Finance Companies witnessed a rise in NPA level in 2 lakh loan category. We should be careful to keep NPAs in control.

Shailesh Menon, Deepali Gupta, (April 03, 2018)\textsuperscript{68} say that “Smaller players are vulnerable and could be in dire straits if their non-performing assets (NPAs) turn credit losses. They maintain a narrow capital base and have very little financial support. It’s no wonder several
are forced to adopt unconventional means, petitioning the sarpanch or naming defaulters at an open gram sabha. A clean-up looks inevitable. There were just about 70 HFCs in mid-2016; a year later, this number had risen to 82. At present, there are 92 HFCs operating and 14 more waiting for approval from National Housing Bank, their regulator.”

Sandeep Ashar, (April 17, 2018)\(^6\) says that “The zonal (basic) FSI available free-of-cost in the island city is 1.33. Depending on the width of the road in front of the plot, the maximum admissible TDR that can be availed over and above this zonal FSI is also proposed to be raised to 0.83, while another 0.84 can be availed as additional FSI through premium payment. But the clause regarding the ‘option to use the premium FSI and TDR in any combination’ within the limit of 3 FSI will allow the builders to replace either option with another, after utilizing the free zonal FSI. This means builders who find the speculative TDR rates excessively high may opt to purchase FSI by paying the premium, altering the demand-supply balance of the current TDR market.” It is also reported that government plans to raise permissible FSI limit in the island city of Mumbai to three and in the suburbs it would be capped around 2.5. This FSI needs to be increased further to reduce the cost of house.

Kailash Babar, (January 02, 2018)\(^7\) says that “with Real Estate (Regulation & Development) Act, 2016 and Goods & Services Act, 2017 in place, property development environment will be stable. New residential unit launches were around 74,000 in across India’s top eight cities in 2017 with Mumbai constituting 31% of these, followed by Pune with 15% of all launches. Affordable housing segment is expected to continue to drive the real estate sector in 2018.”

Dipak K. Dash, (November 29, 2018)\(^7\) says that “the Ministry has claimed that it has sanctioned 65 lakh houses under Prime Minister’s Awas Yojana (Urban) and that 12 lakh houses have been constructed in the past four years. Government is confident of sanctioning 80 lakh houses out of the targeted one crore urban houses by March, 2019. The government has so far disbursed Rs.6,300 crore to 2.75 lakh beneficiaries as direct financial assistance to help people either buy a house or build a house. As compared to 2017-18, the number of urban middle –class home buyers availing interest subsidy scheme of the central government has more than doubled in the eight months of 2018-19.

PTI, (June 13, 2018)\(^7\) reports that “Growing affordability for the first-time home buyers, supported by government incentives like the PM’s Awas Yojana are expected to result in a
rise in primary home purchases, especially in the affordable housing segment, which will help segmental loan growth to 17-19 per cent. Housing credit grew 16 per cent in FY18, taking the mortgage penetration (housing credit as a percentage of GDP) to double-digit mark of 10 per or the first time in FY18, up from 9.5 per cent in FY17. Overall housing credit grew 39 per cent in the year to March 2018, which was pushed by new mortgage players in the affordable housing segment. However, gross NPAs in the sub-segment deteriorated from 3.3 per cent in FY17 to 4.1 per cent in FY18, driven by greater portfolio seasoning, entity-specific factors in some cases and external events such as note-ban and GST rollout, which have impacted cash flows of borrowers. On the funding side, the report said HFCs would need to tie-up for Rs 4 trillion of incremental funds to meet the growth plans as well as replacing the maturing liabilities in FY 19.”

Shayan Ghosh, (January 4, 2019) says that “The home loan portfolio of housing finance companies has continued its growth trajectory and has grown at a faster pace of 18% y-o-y till 30 September 2018 as compared to the home loan book of banks, which grew at 16% y-o-y as per Icra report. The non-housing loan portfolio of HFCs grew at 29% y-o-y at the end of Quarter 2 of Financial Year 2018-19. The average loan ticket size across HFCs was around ₹25 lakh. More than 80% of the home loan portfolio was in the ₹10 lakh-1 crore bracket, which has reported better asset quality performance compared to lower and higher ticket sizes. According to Icra, HFC’s may see slowing credit growth in the second half of 2018-19 due to tight liquidity and intense competition. Gross non-performing assets (NPAs) ratio as on 30 September 2018 was 1.3% (slightly higher than 1.1% as on 31 March 2018), but tight liquidity and slowdown in growth could impact the asset quality in the non-housing loan segment.”

Ashwini Kumar Sharma, (November 27, 2018) says that “There is a huge inventory lying unsold in each city, especially in National Capital Region and Mumbai Metropolitan Region. According to a report by Liases Foras, a Mumbai-based real estate rating and research firm, Inventory in tier-I cities stands at 40 months as of Q2 18-19. That means it will take 40 months to clear the unsold stock at the current sales volume. The report further states that an efficient market maintains 8-12 months of inventory. An inventory overhang of 40 months indicates a pressure on prices across all major cities in India.”

Sriram Kalyanaraman, (August 1, 2018) observes that “The Housing Finance market has been growing at a CAGR of around 16%-17% for the last five years and has grown to more
than ₹15 lakh crore in 2017-18 from about ₹25,000 crore in 1996-97. The main driver is the loans in the ticket size of less than Rs.25 lakh. The housing finance sector in the last 3 decades has expanded and graduated to a relatively matured sector. New Institutions, products, and customer base have ensured that the sector which was dominated by a few selected institutions in the earlier period has widened its base with the entry of Banks in the early 2000s and today with corporates thereby creating competition and better services to the customer.”

PTI, (January 9, 2018) says that “The estimate of housing shortage in urban areas has been revised downwards to about 10 million units from 2011 projection of 18.76 million, Housing and Urban Affairs Minister Hardeep Singh Puri today said and promised to provide homes to all by 2022 through its various schemes. The government will use its own surplus land to build affordable homes and address this shortage, he said, and asked the real estate firms to focus on affordable housing projects. Mr. Puri said a technical study conducted by the government in 2011 estimated housing shortage at 18.76 million units in urban areas, of which 96 per cent pertained EWS and LIG. Subsequent assessments that were carried out since 2011 onwards have resulted in this figure being revised to something around or near about 10 million units.”

Lalatendu Mishra, (January 27, 2018) says that “India would require about $330 billion of construction funding to overcome housing shortage in the country and most part of this money would be mobilised from global funds, according to a senior official.

“The capital requirement in Indian real estate is immense,” said Shobhit Agarwal, MD and CEO, ANB Capital Advisors and formerly MD, capital markets, JLL India. He also said “to give a perspective, India still has a shortage of 18 million homes that requires $330 billion of construction funding. The existing gross bank credit to the sector is less than $55 billion. If we consider the larger sector beyond residential, the capital infusion requirements are virtually limitless.”

K.T.P.Radhika, (August 26, 2018) says that “In Solapur, the initiative, for building 30,000 houses under the Pradhan Mantri Awas Yojana (Urban), is arguably the first such project on private land. Being undertaken by Raynagar Cooperative Housing Federation along with Pandhe Infracon, a local realtor, it is likely to cost over Rs1,800 crore, and has been eliciting overwhelming response from buyers. "We have got around 38,000 applications so far,” says Ankur Pandhe, Managing Director, Pandhe Infracon. A typical house here measures about
375 sq. ft and is priced at Rs5 lakh. The project has open spaces as well as land earmarked for community services, schools, hospitals and other social infrastructure. Both state government and municipal corporation are working overtime to provide amenities such as electricity and water.”

HDFC Realty, (2018)79 observes that “For Joint partnership, MHADA (Maharashtra Housing and Area Development Authority) had announced a FSI of 2.5 in case of constructing affordable houses with private land owner or private developer. In order to promote affordable housing, Maharashtra government had made it mandatory for developers to reserve 20% of the total area of the housing project for projects more than 4000 sq m. For accommodating developers, 20% extra Floor Space Index would be granted for construction. Maharashtra government had decided to place a stamp duty of only Rs. 1000 per EWS. State will setup the Maharashtra Affordable Housing Development Corporation with the intention of developing large scale affordable housing projects with a target of 20 lakh Houses by 2022. The state government has allowed construction of houses on farmland with a FSI of 1, only for the Economically Weaker Section (EWS). GDP of India is expected to grow by 7.3 % and 7.4 % in 2018 and 2019 respectively. Housing industry contributes 5 to 6 %, also needs to grow as a sector to keep the GDP rolling at a moderate pace.”

Kailash Babar, (June 12, 2018) 80  has observed that “Following a slew of policy initiatives and regulatory changes in 2017-18, affordable housing offers 6-8 billion sq. ft. development opportunity in India over the next 3-4 years, showed a CARE Ratings report. Affordable housing segment of late is being primarily driven by government policies and incentives. As per Government estimates, over 40 million urban homes need to be constructed by 2022 in order to achieve its housing for all targets. During the last 24 months, the government has introduced schemes for affordable housing like interest subsidy for low and economically weaker sections, affordable housing being conferred infrastructure status to ease fund availability for these projects and additional tax-benefit for both developers and home-buyers.

“The government is expected to fund 15-20% or roughly Rs 1.2 trillion over the next 3-4 years in affordable housing. The remaining is expected to come from private investments and PPP projects,” said the report.”

Rahul Oberoi, (April 19, 2018)81 has observed that “During the last five years, players such as Indiabulls Housing Finance, PNB Housing Finance and Dewan Housing Finance have grown much above the sector average, translating into market share gains. However, HDFC
has retained its market edge in housing loans despite competition from banks and other HFCs. The space is dominated by lenders such as SBI, ICICI Bank, Axis Bank and a handful of HFCs like HDFC, LIC Housing, Indiabulls Housing and Dewan Housing. These players accounted for 56 per cent of total housing loans in India. Talking about growth, HFC loan to individual portfolio has grown at a CAGR of 22 per cent over FY12-17 while the corresponding figure for Scheduled Commercial Banks (SCBs) came in at 17 per cent, leading to sectoral home loan portfolio growing at 19 per cent per annum, the SBICAP Securities report showed.”

Sanket Dhanorkar, (April 16, 2018) says that “As a rule of thumb, home loan EMI should not exceed 35-40% of your total income. In our survey, almost 28% of homebuyers indicated willingness to part with more than 50% of their household income towards EMIs, which can spell disaster. Suppose you stretch your budget and take a home loan of Rs 75 lakh for 20 years at 8.5% interest. Your EMIs will come to Rs 65,087, eating up Rs 81.2 lakh in interest payments over the lifetime of the loan. But if you opt for a smaller home instead, taking a housing loan of Rs 50 lakh housing loan to finance it, you will pay an EMI of Rs 43,391 per month, shelling out Rs 54.14 lakh in interest over the next 20 years.”

Neha Pandey Deoras, (September 14, 2015) says that “The maximum home loan tenure offered by all major lenders is 30 years. The longer the tenure, the lower is the EMI, which makes it very tempting to go for a 25-30 year loan. However, it is best to take a loan for the shortest tenure you can afford. In a long-term loan, the interest outgo is too high. In a 10-year loan, the interest paid is 57% of the borrowed amount. This shoots up to 91%, 128% and 167% if the tenure is 15, 20 or 25 years respectively.” She also says that “EMI for Car loan, personal loan and home loan should not exceed 15%, 10% and 40% of net income of a person. In short total EMI payable on all loans should not exceed 50% of one’s net monthly income.”

Chandralekha Mukerji, (September 17, 2014) says that “the fixed nature of the interest itself is a disadvantage in a long-tenure loan like home loan where rates are bound to come down some time even if they are high at present. In that case, the borrower has to repay the same amount every time even if the rates reduce. Moreover, fixed rate loans come with the ‘reset clause’, that says it is subject to revision. Though the nature of the clause varies from bank to bank it is usually invoked either after a fixed period or a sharp hike in interest rates.
Therefore, a floating rate makes more sense unless if the economy promises a sharp rise in interest rates in the near future. “

Mayur Shetty and Nauzer K. Bharucha, (June 11, 2017) have observed that “developers who build affordable homes are exempted from paying taxes on their profits for five years starting 2016 instead of three years. These are for 30 sq mt homes in the four metro cities and 60 sq mt in non-metro areas. In addition to interest subsidy, a move to allow 90% of provident fund money for home purchase is spurring demand.” With effect from 1.4.2017 a new section 80-IBA- is introduced in the Income-tax Act for 100% Deductions in respect of profits and gains from affordable housing projects.

Bjorn Lomborg & Manorama Bakshi, (June 3, 2018) observed that “There are policies helping the urban poor—such as investment in improved tuberculosis-screening and treatment, or improved water and sanitation access—that generate many times more rupees of benefits, for every rupee spent. Having a safe, secure home provides dignity and protection against life shocks, and is an important goal for government to deliver. But if the goal is to help the urban poor as effectively as possible, governments should consider all of the data, including this economic evidence.”

Dhiraj Relli, (December 14, 2017) says that “Affordable housing can provide a thrust to the economy by way of capital investment to the tune of Rs 1-1.25 lakh crore per annum incrementally, generate 27-34 million jobs, and have a direct and indirect impact on other sectors – translating into 1.5 per cent of the GDP. The key is for governments to work closely with house builders and other stakeholders to ensure people on lower incomes can make the most of city life. A combination of mass urbanization and relatively low wages means there simply are not enough available homes at an affordable price. Affordable housing in India remains one of the most straightforward growth stories in India. The government’s budgetary support for these schemes has risen from Rs 11,600 crore in FY16 to Rs 29,043 crore in FY18. Even if the private sector capex revival takes some more time, there will be acceleration in economic activity in India in the coming 18 months driven by housing.”

Shilpy Sinha, (August 21, 2018) observed that “HDFC approved 37 per cent of its home loans in volume terms in the first quarter, and 19 per cent in value terms to customers from the EWS and LIG segments. HDFC on an average has been approving close to 8,300 loans on a monthly basis to EWS and LIG segments, with monthly average approvals at Rs 1,346 crore. Dewan Housing posted 28 per cent growth in home loans by focusing on the affordable
housing sector as 65 per cent of its home loan customers are eligible for various government schemes.”

Sugata Ghosh, (October 12, 2018)\textsuperscript{89} observed that “There are two parts to the recent changes in tax laws related to unsold inventories: first, which lie unoccupied; second which are leased out. Builders are well aware of the tax consequence of unsold properties which are not leased out. On such properties (that are lying vacant), builders have to pay tax on notional rental income based on the prevailing rent in a locality. This was brought about by inserting Section 23(5) in the Income Tax Act -- probably to discourage hoarding of residential as well as commercial properties.”

Sunita Mishra, (October 12, 2018)\textsuperscript{90} says that “From this financial year, real estate developers, who are holding an unsold unit for over a year, will have to pay 8-10 per cent of the property value as tax. So far, developers do not pay any tax on property that they hold as stock-in-trade. Developers will also have to pay 30 per cent of the fair value of the property as tax if they lease their unsold units after April this year after Section 28 (via) was introduced in the Income Tax (I-T) Act. According to this Section, unsold inventory would be treated as the capital asset from the tax point of view. This new levy is over and above the amount, developers will have to pay on the rent they earn through leasing properties.”

Shilpy Sinha, (October 09, 2018)\textsuperscript{91} says that “Top-rated non-banking finance companies (NBFCs) including housing finance firms are staring at lower growth and higher credit costs this year as the Reserve Bank of India considers tighter regulations and markets become wary of finance firms with frothy valuations. Shares of NBFCs fell up to 18.5\% on Monday after the Reserve Bank of India said it is looking to tighten guidelines to prevent instances of asset-liability mismatch by non-banking lenders. DHFL shares crashed 18.52\%, Edelweiss Financial Services 13.67\%, Shriram City Union Finance 6.82\%, Cholamandalam Investment and Finance 6.07\%, Muthoot Capital Services 4.48\% and Motilal Oswal Financial Services 2.48\%. Among others, shares of Srei Infrastructure Finance declined 2.48\% while Mahindra & Mahindra Financial Services lost 2.37\%.”

Shilpy Sinha, (January 08, 2019)\textsuperscript{92} has observed that “With Bandhan, the synergy of a merger with GRUH is more. The synergy comes from the fact that Bandhan is not into housing finance and would bring a completely new set of business perspectives. There is a huge focus from the government, the prime minister, on housing finance. Bandhan will have access to
GRUH’s operating systems. This will create a very large rural and semi-urban lending pool. Housing per se in India has phenomenal opportunity for growth because of low penetration, improved affordability, and government benefits. It is most important that the demographics that two-third of the population of India is below 35 years… and unlike the West, people don’t buy houses here in their 20s. The average age for buying a house here is 38-39, and the majority of Indians are yet to reach that age, presenting a huge market potential. Over the next 10, 15, or 20 years, there will be structural increase in demand for affordable housing.”

PTI, (October 06, 2018)\textsuperscript{93} observes that “Mortgage lender PNB Housing Finance on Saturday said it has raised $200 million (about Rs 1,470 crore) through External Commercial Borrowing (ECB), its first under the automatic route of the RBI. This year, the Reserve Bank of India has allowed housing finance companies to borrow through ECB up to USD 750 million annually under the automatic route, the company said in a statement. The funds will be used for normal business operations. This will not only enhance our liquidity profile but also further enhance our ALM position as the facility is for 5 years. The fully hedged landed cost of this facility is lower than on shore pricing of similar tenure loan.”

IANS, (April 15, 2018)\textsuperscript{94} reports that “The affordable housing segment, which is the new rage in the real estate sector after it got infrastructure status last year, still suffers from lack of funds from banks. Market participants feel they still have to wait a few more months before banks embrace such projects. Infrastructure status for the segment was announced by Finance Minister Arun Jaitley in his Budget speech for 2017-18 on February 1, 2017, which allowed builders to borrow from banks at cheaper rates compared to the conventional lenders such as private equities. “That (infrastructure status) means they (developers) should have been able to access a lot of funds at cheaper rates… but that’s not happening. And that’s not happening anywhere,” said Jayashree Kurup, Head of Content and Advisory, at the property consultant website magicbricks.com. She added: “It has not translated into anything on the ground, except may be a boost in sentiment.”

PTI, (June 06, 2018)\textsuperscript{95} observed that “The affordable housing segment will get a boost with RBI today raising the loan limits under priority sector lending (PSL), and the government deciding to use surplus land of sick PSUs for construction of such dwelling units. In another development, the President has promulgated an ordinance recognising home-buyers as financial creditors, thus giving them greater say in insolvency of defaulting builders. In a statement, Reserve Bank of India said that it has been decided to revise the housing loan limits for PSL eligibility from
Rs 28 lakh to Rs 35 lakh in metropolitan centres and from Rs 20 lakh to Rs 25 lakh in other centres.”

Sanjeev Sinha, (August 10, 2018)\textsuperscript{96} says that “Affordable housing is poised to be a major demand driver for housing finance in the years to come. Last year’s announcement of awarding infrastructure status to affordable housing and the latest budget announcement of establishing a dedicated affordable housing fund are steps in the right direction. The demand for affordable housing is expected to touch Rs 6.25 trillion by 2022, supported by growing population, young demographic profile, shift towards nuclear families and rapid urbanisation. Given the wide disparity in household income in the country and the high real estate prices acting as a deterrent for buyers, a predominant share of this demand would be concentrated in the low cost and affordable housing segments. The real estate market has become more structured and accountable owing to the introduction of RERA and GST. This has slowed down primary sales over the past few quarters as end users have become a lot more selective. However, despite this temporary slowdown, the demand for housing finance remains robust, says Khushru Jijina, Managing Director, Piramal Capital & Housing Finance.”

FE Online, (May 30, 2018)\textsuperscript{97} observed that “The Narendra Modi-led government’s dream to provide affordable housing to the urban poor still remains as a work-in progress, as 26-37 million urban households still reside in informal housing, and in poor living conditions, according to a report released by FICCI said. The report noted the success of a new group of “Affordable Housing Finance Companies” (AHFCs), and said that this is addressing the gap and serving low-income, urban informal customers using an innovation pioneered in India—field-based credit assessment. FICCI President Rashesh Shah said that the distinction between the housing finance companies and affordable housing finance companies is blurring with the passage of time. “I expect more growth in the coming 5 to 6 years for the sector,” he added. “These companies (AHFCs) have grown from a combined loan book of close to Rs 1,000 crores in March 2013 to over Rs 27,000 crores in December 2017, at an average loan ticket size of Rs 9.3 lakhs ($14,350), and have facilitated the ownership of more than 230,000 affordable homes,” the report noted, adding that the potential remains immense.”

M. Allirajan, (January 12, 2018)\textsuperscript{98} says that “NPAs for housing loans of up to Rs. 2 lakh stood at a whopping 11.9% for PSBs during 2016-17. Housing finance companies also saw a sharp surge in this slab. NPAs went up from 6.1% to 8.6% for the Rs. 2 lakh slab between 2015-16
and 2016-17. Overall NPAs in Rs.2 lakh slab stood at 10.4% during 2016-17. New unit launches in the affordable housing segment registered a 10.1% y-o-y growth in 2016-17.”  
Banks and housing finance companies must control these non-performing assets in the segment of loans up to Rs. 2 lakh.

Rashmi Pratap, (August 16, 2018)⁹⁹ observed that “One in every five houses sold in India now costs less than ₹25 lakh — the affordable category. With government doling out housing subsidies for the economically weaker sections and increased focus of the developers on the segment, the contribution of affordable houses to total residential sales has gone up to 21 per cent from just 8 per cent three years ago, numbers from real estate consultancy Liases Foras show. Rohit Poddar, Managing Director, Poddar Housing and Development, said “there has been general buoyancy in the market after structural changes like demonetisation and implementation of RERA and GST. Consequently, confidence is coming back. The maximum pent up demand existed in the affordable segment. It is now resulting in transactions after the supply has come into the market.” He also said that “Poddar Housing focuses on affordable segment and has around 1 crore sq. ft. of projects being launched in the Mumbai Metropolitan Region and Pune between October and March next. They are mostly in the affordable category.”

Kailash Babar, (January 07, 2019)¹⁰⁰ has observed that “Number of residential launches across Delhi-NCR, Mumbai, and Bengaluru witnessed a significant year-on-year rise in 2018. According to JLL Research, Delhi NCR witnessed 114 per cent year-on-year growth in new launches at 17,660 units, which is the highest among the three markets. While Bengaluru recorded annual growth of 81 per cent at 37,286 units, Mumbai’s housing market saw a 22 per cent rise in launches. While new launches across these 3 key metros recorded strong growth, positive consumer sentiment in the post-reforms regime has resulted in higher sales. In percentage terms, Delhi-NCR topped with 71 per cent on-year growth in sales at 24,725 units. However, the jump in sales was due to low base effect. Sales in the first half of 2018 continued to be slow in Bengaluru, but it picked up momentum in the latter part of the year, expanding at 17 per cent on an annual basis. Post a consistent drop in sales since 2016, the offtake of residential units in Mumbai revived and grew at 10 per cent during 2018.”
2.10 Research Gaps

The review of literature finds following research gaps –

- There is very little study made on the topic with primary data from the respondents of Mumbai and Pune.
- There is very little study made on the topic to find out factors associated with growth of housing finance.

The present study aims to cover the above research gaps.

2.11 Summary

From the above review of literature, it is clear that many researchers have done work on the topic of acute shortage of housing. The ratio of housing loans to GDP is very low in India. There is a gap in these studies done earlier to find out causes for such low penetration of housing finance in the huge housing finance market and to find out different ways to increase housing finance by analyzing the primary data.

In this study, primary data is collected from people who have taken housing loan in the past, who have taken housing loan at present, who wish to take housing loan in future and who do not wish to take a housing loan in future in Mumbai, Mumbai Suburban and Pune district and it is analyzed to study the factors associated with growth of housing finance, causes for low housing loans to GDP ratio and to find out some suggestion to improve housing loans to GDP ratio so that every Indian person can have his own sweet home to rest and relax.

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