



Performance and Evaluation of Housing Finance in Ahmedabad

Dr. Nikhil Ranjan Agarwal

Associate Professor, Department of management Studies., SSIM, Moradabad

ABSTRACT

Own house is the dream of every Indian family. Bank and Housing Finance Companies are making this dream come true by providing the housing finance facility. The basic human need that housing fulfils is shelter or protection. The National Housing Bank was established on 9th July 1988 under National Housing Bank Act 1987, to function as principal agency to promote housing finance institutions and to provide financial and other support to such institutions. The objectives of the research are to examine the growth and reasons for the development of housing finance activities and to know about service perform of the concerned housing finance companies and banks with its impact on consumers' satisfaction. The research is based middle income group respondents reside in Ahmedabad city a Capital of Gujarat, are availed housing facilities.

KEYWORDS

INTRODUCTION

Own house is the dream of every Indian family. Bank and Housing Finance Companies are making this dream come true by providing the housing finance facility. The basic human need that housing fulfils is shelter or protection. Besides it is fundamental to people's physical, physiological, social and economic well-being. Housing does not mean the construction of a shelter only, a shelter to protect way from the in clemencies of weather. Since house life affects the very foundation of an individual's life, the house becomes an important part of it and housing is one of the top priorities for most people, regardless of their income levels. Without the security and comfort of a house, there is no escape to the difficulties resulting from poverty. Adequate housing is essential for human survival with dignity. Housing is a key good for determining the cost of living. The acute shortage of housing in urban areas is due to increase in population. Housing is one of the primary human needs and is next in importance to food and clothing.

The Government efforts towards the development of a sound regulatory mechanism for housing finance in India can be traced back to 1987 when the government came out with a National Housing Policy. A revised version was tabled in Parliament in 1992 and adopted by both houses of Parliament in August 1994. The National Housing Bank (NHB) was established on 9th July 1988 under National Housing Bank Act 1987, to function as principal agency to promote housing finance institutions and to provide financial and other support to such institutions. The NHB, a wholly owned subsidiary of the RBI is an apex bank for housing finance. The Bank has been mandated to establish a network of housing finance outlets across the vast span of the nation to serve different income and social groups in different region. Another important segment in the Indian financial arena, which provides the housing finance, is the banks. Earlier the business of housing finance was dominated by housing finance companies and the role of the banks was secondary.

According to estimates, the total housing credit outstanding in India as of June 30, 2013, was over Rs 7.99 lakh crore, against Rs 7.59 lakh crore on March 31, 2013. That is an annualized growth rate of 21 per cent, against 18 per cent in 2012-13. According to an expert, India's ratio of housing loans to GDP is seven per cent, among the lowest in the world. Most purchases of houses are still made out of savings. Industry analysts claim the top five housing finance companies account for the bulk of the retail house loans offered by mortgage lenders. The top four or five companies are close to 85-

90 per cent share of the retail house loans offered by housing finance companies. Resident Indians are eligible for certain tax benefits on principal and interest components of a house loan. As per Income Tax Act 1961 rules, the current applicable exemption under section 24(b) is Rs.1,50,000/- for the interest amount paid in the financial year and up to Rs.1,00,000/- (under section 80C) for the principal amount repaid in the same year.

Housing finance companies are providing finance at interest rate, flexible repayment options and money saving features such as zero application charges, nominal processing fees and no-payment charges of the finance amount every year. They are offering finance not only for newly constructed house/flats as well as house/flats which are on resale. It has grown because of prevalent competition, the low rate, ease of producers and formalities etc. It is being influenced by low processing fee, less finance clearance time, requirement of documentation and methodology being followed in computation of interest.

Kinds of housing finance:

1. Finance for house purchase: common finance for purchasing a house
2. Finance for house improvement: finance given for implementing repair works and renovations of house
3. Finance for construction: finance available for the construction of a new house
4. Finance for house extension: given for expanding or extending an existing house
5. Finance for land purchase: sanctioned for purchase of land, for both house construction or investment purposes
6. Finance for house for self-employed: specially tailored house finance for self employed, professionals and non-professionals
7. Finance on land: finance for purchase of non-agriculture land across India
8. Transfer of housing finance: from existing to other bank or housing finance company

OBJECTIVES

The major objectives of the research have been as follows:-

1. To examine the growth and reasons for the development of housing finance activities
2. To know about service perform of the concerned banks and housing finance companies with its impact on consumers' satisfaction

RESEARCH METHODOLOGY

The research design was a master plan specifying the procedure for collecting and analyzing the needed information. The sources were used for the collection of data and information mainly problem reference books, journals, magazines, business newspapers and other published sources. The primary data was collected from representative samples using the non-probability sampling methods.

The research was undertaken to examine the growth and reasons for the development of housing finance activities. The research was based on 64 respondents belonging to middle income group reside in Ahmedabad city a Capital of Gujarat, had availed housing facilities. In the beginning the researcher approached 82 persons but out of them only 64 persons gave positive response. The collected data was scrutinized, edited and validated.

DATA ANALYSIS

Table 1:- Personal Profile of Respondents

(A) Age – wise Distributions

Age Group	No. of Respondents	Percentage of the Respondents
Below 35 years	37	57.81
Above 35 to 50 years	20	31.26
Above 50 years	07	10.93
TOTAL	64	100.00

(B) Occupation – wise Distributions

The occupations are classified in four categories. Those who are employed with public or private sector enterprises are classified as service category. Professional such as doctor, lawyers, chartered accountants, professors/teachers constitute the profession category. Those who run their own business are classified under self-employed including business women. Retired persons and housewives etc. are classified as others.

Occupation	No. of Respondents	Percentage of the Respondents
Services	27	42.19
Professional	23	35.94
Self-employed	10	15.62
Others	04	06.25
TOTAL	64	100.00

(C) Income – wise Distributions

Yearly Income	No. of Respondents	Percentage of the Respondents
Upto Rs. 5.0 Lacs	27	42.19
More than Rs. 5 to 10 lacs	32	50.00
More than Rs. 10 lacs	05	07.81
TOTAL	64	100.00

Table 2:- Respondents' availed the finance facility

Sr. No.	Sources	Percentage of the Respondents	
		Yes (No. of Respondents)	Yes (Percentage of the Respondents)
1.	Nationalised Banks	16	25.00
2.	Foreign Banks	01	01.57
3.	Co-operative Banks	06	09.37
4.	Private Banks	03	04.69
5.	Subsidiary finance company of Banks Housing finance companies	06	09.37
6.	Housing finance schemes offered by Govt.	24	37.50
7.	Housing Authorities or Private Builders	08	12.50
	Total	64	100.00

Table 3:- Respondents' Ranking on Sources of Information

Sr. No.	Sources of information	Overall Rank
1.	Family members	01
2.	Friends	02
3.	Neighbours	04
4.	Relatives	05
5.	Advertisements in media	03
6.	Magazines and articles	07
7.	Trade shows	06

Table 4:- Respondents' Ranking on Reasons for Availing of Housing Finance

Sr. No.	Reasons for Availing	Overall Rank
1.	It is easier for me to buy	07
2.	I have to make payment in installment	06
3.	I would prefer to save money and can buy other assets in future.	04
4.	I do not mind for making payments of interest	05
5.	I can make immediate buy	01
6.	I can buy more than one asset at a time	02
7.	To get tax benefits	03

Table 5:- Total Number of Installments payable by Respondents

Sr. No.	Nos. of Installments (months)	Nos. of the respondents	percentage of the respondents
1.	60 (5years)	04	06.25
2.	120 (10 years)	10	15.62
3.	180 (15years)	24	37.50
4.	240 (20 years)	26	40.63
5.	300 or 360 (25or 30years)	00	00.00
Total	-	64	100.00

Table 6:- Mode of Repayment as Preferred

Sr. No.	Mode of repayment	Nos. of respondents	Percentage of respondents
1.	Monthly installments directly paid by you	42	65.62
2.	Installments directly deducted from salary by your employer.	20	31.25
3.	Advance cheques deposited by you	02	03.13
	Total	64	100.00

Table 7:- Respondents' Overall Satisfaction or Dissatisfaction

Sr. No.	Satisfaction Scale	No. of Respondents	Percentage of the Respondents
1.	Highly satisfied	06	09.37
2.	Satisfied	44	68.75
3.	Dissatisfied	12	18.75
4.	Highly dissatisfied	02	03.13
	Total	64	100.00

FINDING

- 1- Respondents took advice from their family members and preferred national banks and housing finance companies.
- 2- Respondents bought easily their own house easily through housing finance.
- 3- Generally respondents preferred to borrow for 15 or 20 years and paid monthly installments directly.
- 4- The weighted average risk in housing finance has been very low when compare other retail lending, it is lending on mortgage of the property.
- 5- Construction of house is one time affair in the lifetime of people, the housing loan as to borrow one time in the life of the borrower but the loan has been extending in the name of extension, repair and renewal.
- 6- The housing companies are not properly verifying the nature, intension and purpose of the borrowers. They are just adopting the marketing strategy and marketing the loans.

- 7- Companies have not been able to penetrate on rural areas. It is also seen that majority of the financial institutions and banks concentrate on salaried class people who has regular income.
- 8- The rates of interest charged by the public banks were comparatively lesser than the others in Indian scenario.
- 9- Mostly respondents were satisfied from their banks or housing finance companies.

SUGGESTION

1. The banks and housing finance companies should make an effect and efficient use of relationship marketing.
2. The players of housing finance need to develop an appropriate marketing orientation to better satisfy their consumers' needs and wants and also earn sales, profits and market share for themselves.
3. The players in housing finance should not insist on collection of more than fixed number post-dated cheques.
4. There is a need for the formation of credit bureau to assemble and track the financial credibility of individual consumers.

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