

A Study on Housing Finance Sector by HDFC in Garhwal Region



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Abstract

Housing being one of the essential needs of mankind always been agenda for the Government of India over the years. This strengthens local infrastructure through community development. It is a visible output where the development can be seen and a vital sector of the national economy creating jobs and generating taxes.

Adequate housing is a major indicator of growth path of the nation and the quality of life it bestows on its citizens. It plays a major role in the addition of GDP and development of over 250 other ancillary industries. The main concern of the study is to analyze the HDFC role in providing Housing Finance thereby enhancing Housing and employment sector in Garhwal. The paper presents a study on the role of HDFC in Housing Finance Sector of Pauri and Dehradun districts of Garhwal. In the present research work Secondary data collected was analyzed by using descriptive statistics technique for the study.

The study shows that HDFC has deep penetration in Financing Housing in Garhwal but still much work yet remains to be done. For this the policy planners need to design suitable policies to raise the Financing ability of HDFC in the state.

Keywords: Housing Finance, Employment, HDFC and Garhwal.

Introduction

Housing is the one of the basic needs for every human being, with Food, Clothing and Education being the other three. Housing is an important component and a measure of socio-economic status of the people. It is regarded as a critical sector in terms of policy initiatives and interventions. The relevance of housing as a social need has been long recognized and this has influenced the innovations and inventions made by mankind, since the Stone Ages.

Housing is a physical structure for protection from the natural elements. It facilitates institution to achieve better quality of life. It is an essential human requirement both for existence and settlement.

Housing is normally considered as a consumption activity. However, house is a catalyst or a primary agent for a change in socio-cultural pattern and other characteristics of human life, including economic development, since it forms a nucleus for the operations of many human activities and is an essential contributory factor for improvement in life.

Housing being the one of the essential needs of mankind, the demand for shelter grows in line with the increase in population and the standard of living, hence the need of financing the purchase of a House came up. The importance of the housing sector can be judged by the fact that man consider house as the best investment and want to invest their hard earned money or saving in a house. If not a multi-storey building, but a tiny house is perhaps the dream of teeming millions who do not own a house and wish to have one.

The standard of living can be judged by the adequacy of housing. Housing conditions can determine the immediate environment of man and therefore, need to be viewed in relation to the overall environment of human settlement.

A house is considered as a key sector for the national economy that measures the standard of living and economic condition of a country. Housing is thus not only a basic need but also an essential link in the overall socioeconomic development, employment generation and poverty alleviation.

In the early 21st century, the housing industry in India was one of the few sectors that was growing at a healthy rate of 28-30% in spite of the economic slowdown. A host of reasons were responsible for this growth, including favorable government policies, increased corporate activity, and

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above all, an increasing customer-base. Recent announcements by Government leads to many industry-friendly policies and during the same period, real estate prices had also gone down across the country.

Adequate housing is a major indicator of growth path of the nation and the quality of life it bestows on its citizens. The tremendous potential that this industry holds has been appreciated and acknowledged by the government, policy makers and professionals in the industry alike.

The housing stock shortage in India is around 20 million, of which 50% is urban; of this, 70% - 80% is in the low-income segment. The shortage of housing is a national problem and it has now become a matter of serious concern for the decision makers and the common people. With the growing population and the continuing problem of housing, it is hardly possible to keep pace with the annual demand of housing. The resource constraints and non-availability of land have caused the shortage to pile up considerably.

Housing has forward and backward linkages with over 250 ancillary industries. The industry's strong growth had a direct impact on many other related industries, such as the cement, engineering, paint and steel industries. One industry that experienced hectic activity during the period was the housing finance industry. In fact, some industry observers claimed that the ease with which housing finance could be obtained resulted in the increased activity in the housing industry. Not only were customers given tax concessions on housing loan repayments, companies were also given tax rebates on profits earned. As a result, many banks and financial institutions had entered the market with attractive financing rates and consumer-friendly schemes.

Housing is a basic human necessity supporting economic activities. It is Second largest employment generator, next to agriculture. Housing is a major employment generating sector. The construction industry alone is reported to provide employment to 16% workforce in our country. The Industries associated with Brick, Cement, Steel,

Paints, Electrical fixtures, Sanitary and Plumbing fixtures have a vital role in the process of generating national economic growth. These industries will flourish with the development of the housing sector. Every Rupee spent on construction, an estimated 75-80 paise is added to GDP. Housing Industry Growth in last 5 years, in physical Terms is 3.0 % p.a. and in Financial Terms is 30 % p.a. The contribution of Housing sector in GDP is about 6%.

The government has initiated, sustained, and refined many programs since independence to help the countryman attain self house. Probably the most important initiative has been the supply of basic purchasing power of housing finance.

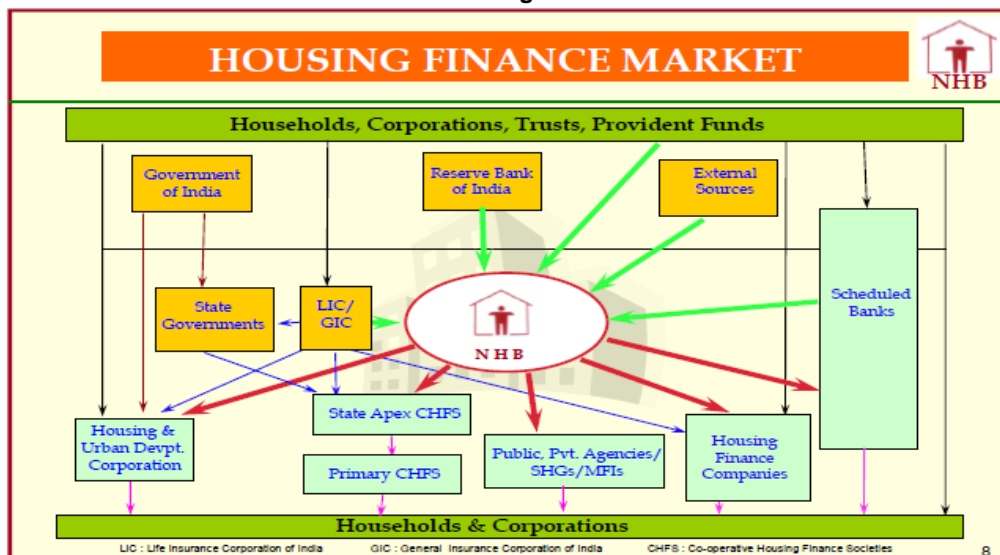
The reputed firms and private enterprises of several disciplines have come forward in order to form public-private joint sector companies for channelising investments in a big way for the development of housing and other infrastructure projects.

A fundamental principle of urbanisation, which is beyond debate, is that poor countries need to spend more on housing. Recent Introduction to declare 100 Smart City Initiative by the Government in India shows the importance of Urbanisation for people at large. The Government has been implementing various low cost housing schemes in the rural sector under various Central Government schemes for the benefit of the rural people belonging to Below the Poverty Line category.

Housing is a major employment generating sector. The construction industry alone, it is reported, provides employment to 16% workforce in our country. The Industries associated with Brick, Cement, Steel, Paints, Electrical fixtures, Sanitary and Plumbing fixtures have a vital role in the process of generating national economic growth. These industries will flourish with the development of the housing sector.

In last few years, various companies have jumped into the field of housing finance, but major business is with few well recognized companies only. The system of housing finance may be depicted as the in the Figure shown being the NHB i.e National Housing bank at the central.

Structure of Housing Finance in India



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Objective of the Study

The following are the specific objectives of the study.

1. To make a macro assessment of the problem of housing in Garhwal regarding execution and implementation of Housing Finance schemes by HDFC in Garhwal region
2. To provide timely solution to problems pertaining to housing and planned development
3. To analyze regional disparities in demand and supply.
4. To examine the inadequacies and inequalities in Housing Finance.
5. To identify the operational problems encountered by the lenders and borrowers.

Methodology of the Study

The methodology adopted for the research included compilation and analysis of both secondary and primary data and consultation with bankers, Builders Associations and other stakeholders. The secondary data have been compiled from the banks from their annual reports and from the publications of the Reserve Bank of India and National Housing Bank. Housing finance companies, both in the public sector and private sector were approached to obtain the required data. The study has also relied heavily on published and unpublished empirical research studies on information and data. The primary data were collected from the HDFC Bank. Discussions were held with Heads of the Housing Finance departments of these selected banks to gather first hand information about the lending scheme, advance portfolio and operational problems. The primary data were also collected from the beneficiaries with the help of a structured questionnaire. The stake holders were selected from the list of beneficiaries supplied by the selected bank branches on random sampling basis. The survey method through interview was adopted to collect the data from the beneficiaries. Discussions were also held with stake holders in Dehradun and pauri district of Garhwal seeking an insight into their perceptions.

Findings and Conclusions

The relation ship between Area and source of information for acquiring knowledge about the HDFC & its various schemes for providing financial assistance as shown in tabulated form

What was your source of information about the HDFC & its various schemes for providing financial assistance?					Total
		Newspaper & other Advertisement Medias	Friends	Hear Say	
Area	Urban	57	91	12	160
	Semi-urban	18	19	0	37
	Rural	0	3	0	3
	Total	75	113	12	200

The relationship between Districtwise source of information for acquiring knowledge about the HDFC & its various schemes for providing financial assistance as shown in tabulated form

What was your source of information about the HDFC & its various schemes for providing financial assistance?					Total
		Newspaper & other Advertisement Medias	Friends	Hear Say	
District	Pauri	36	64	0	100
	Dehradun	39	49	12	100
	Total	75	113	12	200

The total time taken to get complete information from the HDFC

How much time did it take to get complete information from the HDFC?				Total	
		One week	Two week	One month	
	Urban	93	44	23	160
Area	Semi-urban	18	17	2	37
	Rural	2	0	1	3
	Total	113	61	26	200

Areawise opinion about the attitude of the HDFC's Officials

What is your opinion about the attitude of the HDFC's Officials (Please tick mark)				Total
		very helpful	Cooperative	
Area	Urban	45	115	160
	Semi-urban	15	22	37
	Rural	1	2	3
	Total	61	139	200

Chi-Square Test value

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.197(a)	2	.333
Likelihood Ratio	2.115	2	.347
Linear-by-Linear Association	1.782	1	.182
N of Valid Cases	200		

The p-Value of .333 reject the Null Hypothesis that Attitude of HDFC is same with the area.

Districtwise amount of Housing Finance loan sanction by HDFC Bank is

		What was the Amount of Loan?						Total
		0-3 Lac	3-5 Lac	5-8 Lac	8-11 Lac	11-15 Lac	15- 20 Lac	
District	Pauri	13	61	0	13	13	0	100
	Dehradun	2	18	41	15	12	12	100
	Total	15	79	41	28	25	12	200

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